

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Cardinal of Eldon Community School District in Eldon, Iowa.

The District's revenues totaled \$6,405,659 for the year ended June 30, 2006, a 2.9 percent increase from the prior year. Revenues included \$2,000,954 in local tax, charges for service of \$511,653, operating grants, contributions and restricted interest of \$897,501, unrestricted state grants of \$2,862,508, unrestricted interest of \$100,195 and other general revenues of \$32,848.

Expenses for District operations totaled \$6,545,061, an 8.36 percent increase from the prior year. Expenses included \$2,486,975 in regular instruction, \$976,293 in special instruction and \$732,922 in administration services.

A copy of the audit report is available for review in the District Secretary's office, the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue:	
Student Activity Accounts	3 37-38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government	40-41
Schedule of Findings	42-45

Cardinal of Eldon Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Greg Greiner	President	2005
Fred Thomas	Vice President	2007
Randy Eakins	Board Member	2006
Mike Kayser	Board Member	2006
Carol Streeby	Board Member	2007

Board of Education (After September 2005 Election)		
Greg Greiner	President	2008
Mike Kayser	Vice President	2006
Randy Eakins	Board Member	2006
Fred Thomas	Board Member	2007
Carol Streeby	Board Member	2007

School Officials		
Arnie Snook	Superintendent	2006
Linda Durflinger	District Secretary	2006
Tina Snyder	Business Manager/Treasurer	2006
Bob Breckenridge	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2006 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

July 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,105,201 in fiscal 2005 to \$5,224,010 in fiscal 2006, while General Fund expenditures increased from \$5,311,119 in fiscal 2005 to \$5,648,303 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$285,406 in fiscal 2005 to a deficit balance of \$138,887 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in special instruction and instructional staff services functional areas. One reason the General Fund balance decreased is because the increase in expenditures was greater than the increase in revenues for fiscal 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cardinal of Eldon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cardinal of Eldon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Cardinal of Eldon Community School District Annual Financial Report

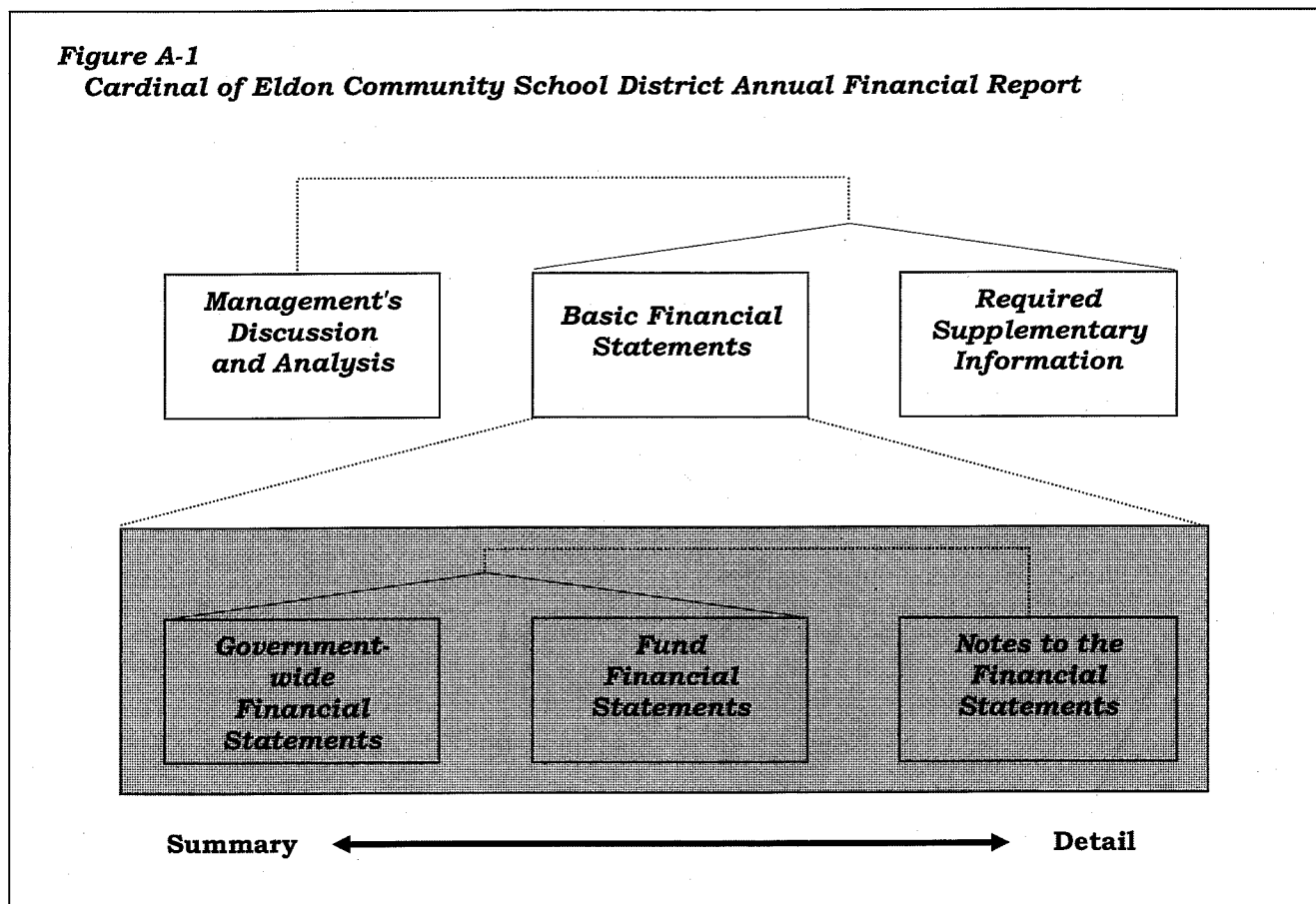


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 4,293,331	4,318,898	\$ 22,966	11,323	\$ 4,316,297	4,330,221	-0.32%
Capital assets	2,837,426	2,746,619	9,987	11,584	2,847,413	2,758,203	3.23%
Total assets	<u>7,130,757</u>	<u>7,065,517</u>	<u>32,953</u>	<u>22,907</u>	<u>7,163,710</u>	<u>7,088,424</u>	<u>1.06%</u>
Long-term obligations	585,000	685,000	0	0	585,000	685,000	-14.60%
Other liabilities	3,893,102	3,587,930	18,268	8,752	3,911,370	3,596,682	8.75%
Total liabilities	<u>4,478,102</u>	<u>4,272,930</u>	<u>18,268</u>	<u>8,752</u>	<u>4,496,370</u>	<u>4,281,682</u>	<u>5.01%</u>
Net assets:							
Invested in capital assets, net of related debt	2,272,087	2,218,484	9,987	11,584	2,282,074	2,230,068	2.33%
Restricted	456,657	226,197	0	0	456,657	226,197	-101.88%
Unrestricted	(76,089)	347,906	4,698	2,571	(71,391)	350,477	-120.37%
Total net assets	<u>\$ 2,652,655</u>	<u>2,792,587</u>	<u>\$ 14,685</u>	<u>14,155</u>	<u>\$ 2,667,340</u>	<u>2,806,742</u>	<u>-4.97%</u>

The District's combined net assets decreased by nearly 5% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 102% over the prior year. The increase was primarily a result of reclassifying the Capital Projects fund balance from prior year from the invested in capital assets line to restricted net assets.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 120.37% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 390,326	537,742	\$ 121,327	117,613	511,653	655,355	-21.93%
Operating grants and contributions and restricted interest	741,631	686,119	155,870	134,601	897,501	820,720	9.36%
General revenues:							
Property tax	1,581,923	1,626,152	0	0	1,581,923	1,626,152	-2.72%
Local option sales and service tax	419,031	336,500	0	0	419,031	336,500	0.00%
Unrestricted state grants	2,862,508	2,711,741	0	0	2,862,508	2,711,741	5.56%
Other	133,043	74,521	0	0	133,043	74,521	78.53%
Total revenues	<u>6,128,462</u>	<u>5,972,775</u>	<u>277,197</u>	<u>252,214</u>	<u>6,405,659</u>	<u>6,224,989</u>	<u>2.90%</u>
Program expenses:							
Governmental activities:							
Instructional	4,167,649	3,970,560	0	0	4,167,649	3,970,560	4.96%
Support services	1,717,982	1,465,531	0	0	1,717,982	1,465,531	17.23%
Non-instructional programs	3,931	15,135	276,667	248,748	280,598	263,883	6.33%
Other expenses	378,832	340,110	0	0	378,832	340,110	11.39%
Total expenses	<u>6,268,394</u>	<u>5,791,336</u>	<u>276,667</u>	<u>248,748</u>	<u>6,545,061</u>	<u>6,040,084</u>	<u>8.36%</u>
Change in net assets	(139,932)	181,439	530	3,466	(139,402)	184,905	-175.39%
Net assets beginning of year	<u>2,792,587</u>	<u>2,611,148</u>	<u>14,155</u>	<u>10,689</u>	<u>2,806,742</u>	<u>2,621,837</u>	<u>7.05%</u>
Net assets end of year	<u>\$ 2,652,655</u>	<u>2,792,587</u>	<u>\$ 14,685</u>	<u>14,155</u>	<u>2,667,340</u>	<u>2,806,742</u>	<u>-4.97%</u>

In fiscal 2006, property tax and unrestricted state grants account for 72.5% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$6.41 million of which \$6.13 million was for governmental activities and \$.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.9% increase in revenues and an 8.36% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$6,128,462 and expenses were \$6,268,394.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,167,649	3,233,178
Support services	1,717,982	1,717,336
Non-instructional	3,931	3,931
Other expenses	378,832	181,992
Totals	<u>\$ 6,268,394</u>	<u>5,136,437</u>

- The cost financed by users of the District's programs was \$390,326.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$741,631.
- The net cost of governmental activities was financed with \$1,581,923 in local tax, \$2,862,508 in unrestricted state grants, and \$100,195 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$277,197 and expenses were \$276,667. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$286,946, decreased compared to last year's ending fund balances of \$618,023. However, the primary reason for the decrease was the increase in expenditures in the General Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The increase in revenues was less than the District's increase in General Fund expenditures resulting in a decrease in the financial position.
- The Capital Projects fund balance increased from \$133,739 in 2005, to \$218,326 in 2006. The fund had an increase in local option sales and service tax revenues during the year. Even though expenditures increased during the year, the increase in revenues was enough to offset it allowing the fund balance to increase.
- The Activity and Expendable Trust Fund combined balance decreased from \$117,287 in 2005, to \$116,242 in 2006, due to the decrease in revenues in the Activity fund.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$19,035 to \$21,827, due to the decrease in expenditures during the year.
- The Management fund balance increased from \$55,961, to \$69,438, due to an increase in revenues.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$14,155 at June 30, 2005 to \$14,685 at June 30, 2006. The District received more in state and federal money during the year, which offset the continuing increase in salaries and benefits and prices of food.

BUDGETARY HIGHLIGHTS

Over the course of the year, Cardinal of Eldon Community School District amended its annual budget one time to reflect additional expenditures associated with increased expenditures in the support services and non-instructional functional areas.

The District's revenues were \$113,032 more than budgeted revenues, a variance of 1.8%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the support services functional area due to the timing of expenditures paid at year-end without sufficient time to make another amendment to the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$2,847,413, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.13% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$203,897.

The original cost of the District's capital assets was \$5,879,675. Governmental funds account for \$5,814,067 with the remainder of \$65,608 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$427,845 at June 30, 2006, compared to \$295,346 reported at June 30, 2005. This increase resulted from the acquisitions that incurred during the current year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-06
Buildings	\$ 2,178,866	2,235,102	0	0	2,178,866	2,235,102	-2.58%
Improvements other than buildings	427,845	295,346	0	0	427,845	295,346	30.97%
Machinery and equipment	230,715	216,171	9,987	11,584	240,702	227,755	5.38%
Total	<u>\$ 2,837,426</u>	<u>2,746,619</u>	<u>\$ 9,987</u>	<u>11,584</u>	<u>\$ 2,847,413</u>	<u>2,758,203</u>	<u>3.13%</u>

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$585,000 in general obligation bonds and capital loan notes. This represents a decrease of approximately 14.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2006. This amount has been outstanding since 1995.

The District had total outstanding capital loan notes payable of \$580,000 at June 30, 2006. The capital loan notes are paid from the Debt Service fund, but the PPEL fund transfers the monies there to be paid.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation	\$ 5,000	5,000	0.0%
Capital loan notes	580,000	680,000	-14.7%
Totals	<u>\$ 585,000</u>	<u>685,000</u>	<u>-14.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Snyder, District Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments			
ISCAP (Note 4)	\$ 1,665,695	0	1,665,695
Other	848,247	17,009	865,256
Receivables:			
Property tax:			
Delinquent	43,202	0	43,202
Succeeding year	1,485,988	0	1,485,988
Income surtax	115,449	0	115,449
Accounts	37,037	0	37,037
Accrued interest:			
ISCAP (Note 4)	8,532	0	8,532
Due from other governments	89,181	0	89,181
Inventories	0	5,957	5,957
Capital assets, net of accumulated depreciation (Note 5)	2,837,426	9,987	2,847,413
Total Assets	7,130,757	32,953	7,163,710
Liabilities			
Accounts payable	155,624	130	155,754
Interest payable	2,166	0	2,166
Salaries and benefits payable	563,627	16,557	580,184
ISCAP warrants payable (Note 4)	1,666,000	0	1,666,000
ISCAP accrued interest payable (Note 4)	7,581	0	7,581
ISCAP premiums payable	12,116	0	12,116
Deferred revenue:			
Succeeding year property tax	1,485,988	0	1,485,988
Unearned revenue	0	1,581	1,581
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	105,000	0	105,000
Portion due after one year:			
General obligation bonds	0	0	0
Capital loan notes	475,000	0	475,000
Total Liabilities	4,478,102	18,268	4,496,370
Net Assets			
Investment in capital assets, net of related debt	2,272,087	9,987	2,282,074
Restricted for:			
Talented and gifted	51,490	0	51,490
Salary improvement program	1,161	0	1,161
Capital projects	218,326	0	218,326
Management levy	69,438	0	69,438
Other special revenue purposes	116,242	0	116,242
Unrestricted	(76,089)	4,698	(71,391)
Total Assets	\$ 2,652,655	14,685	2,667,340

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,486,975	111,627	541,780	(1,833,568)	0	(1,833,568)
Special instruction	976,293	25,030	0	(951,263)	0	(951,263)
Other instruction	704,381	253,669	2,365	(448,347)	0	(448,347)
	4,167,649	390,326	544,145	(3,233,178)	0	(3,233,178)
Support services:						
Student services	125,741	0	0	(125,741)	0	(125,741)
Instructional staff services	198,643	0	0	(198,643)	0	(198,643)
Administration services	732,922	0	0	(732,922)	0	(732,922)
Operation and maintenance of plant services	331,989	0	0	(331,989)	0	(331,989)
Transportation services	328,687	0	646	(328,041)	0	(328,041)
	1,717,982	0	646	(1,717,336)	0	(1,717,336)
Non-instructional	3,931	0	0	(3,931)	0	(3,931)
Other expenditures:						
Facilities acquisitions	47,981	0	0	(47,981)	0	(47,981)
Long-term debt interest	29,707	0	0	(29,707)	0	(29,707)
AEA flowthrough	196,840	0	196,840	0	0	0
Depreciation(unallocated)*	104,304	0	0	(104,304)	0	(104,304)
	378,832	0	196,840	(181,992)	0	(181,992)
Total governmental activities	6,268,394	390,326	741,631	(5,136,437)	0	(5,136,437)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	276,667	121,327	155,870	0	530	530
Total business-type activities	276,667	121,327	155,870	0	530	530
Total	\$ 6,545,061	511,653	897,501	(5,136,437)	530	(5,135,907)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,450,351	0	1,450,351
Capital outlay				131,572	0	131,572
Local option sales and service tax				419,031	0	419,031
Unrestricted state grants				2,862,508	0	2,862,508
Unrestricted investment earnings				100,195	0	100,195
Other				32,848	0	32,848
Total general revenues				4,996,505	0	4,996,505
Changes in net assets				(139,932)	530	(139,402)
Net assets beginning of year				2,792,587	14,155	2,806,742
Net assets end of year				\$ 2,652,655	14,685	2,667,340

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
Assets				
Cash and pooled investments				
ISCAP(Note 4)	\$ 1,665,695	0	0	1,665,695
Other	356,273	290,776	201,198	848,247
Receivables:				
Property tax				
Delinquent	36,329	0	6,873	43,202
Succeeding year	1,267,780	0	218,208	1,485,988
Income surtax	115,449	0	0	115,449
Accounts	525	36,512	0	37,037
Accrued interest:				
ISCAP(Note 4)	8,532	0	0	8,532
Due from other governments	58,492	30,689	0	89,181
Total Assets	\$ 3,509,075	357,977	426,279	4,293,331
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,409	139,651	564	155,624
Salaries and benefits payable	563,627	0	0	563,627
ISCAP warrants payable(Note 4)	1,666,000	0	0	1,666,000
ISCAP accrued interest payable(Note 4)	7,581	0	0	7,581
ISCAP premiums payable	12,116	0	0	12,116
Deferred revenue:				
Succeeding year property tax	1,267,780	0	218,208	1,485,988
Income surtax	115,449	0	0	115,449
Total liabilities	3,647,962	139,651	218,772	4,006,385
Fund balances:				
Reserved for:				
Talented and gifted	51,490	0	0	51,490
Salary improvement program	1,161	0	0	1,161
Unreserved	(191,538)	218,326	207,507	234,295
Total fund balances	(138,887)	218,326	207,507	286,946
Total Liabilities and Fund Balances	\$ 3,509,075	357,977	426,279	4,293,331

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 286,946
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,837,426
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,166)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	115,449
Long-term liabilities, including bonds, capital loan notes and fitness equipment loan payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(585,000)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 2,652,655</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,351,066	419,031	230,857	2,000,954
Tuition	136,657	0	0	136,657
Other	134,852	8,694	245,531	389,077
State sources	3,361,279	0	339	3,361,618
Federal sources	240,156	0	0	240,156
Total revenues	5,224,010	427,725	476,727	6,128,462
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,458,202	0	10,765	2,468,967
Special instruction	974,648	0	0	974,648
Other instruction	468,481	0	235,900	704,381
	3,901,331	0	246,665	4,147,996
Support services:				
Student services	125,741	0	0	125,741
Instructional staff services	131,395	67,248	0	198,643
Administration services	660,777	0	65,442	726,219
Operation and maintenance of plant services	330,961	0	0	330,961
Transportation services	301,258	54,845	14,512	370,615
	1,550,132	122,093	79,954	1,752,179
Non-instructional:				
Operation of non-instructional programs	0	0	3,931	3,931
Other expenditures:				
Facilities acquisitions	0	221,045	7,503	228,548
Long-term debt:				
Principal	0	0	100,000	100,000
Interest	0	0	30,045	30,045
AEA flowthrough	196,840	0	0	196,840
	196,840	221,045	137,548	555,433
Total expenditures	5,648,303	343,138	468,098	6,459,539
Excess (deficiency) of revenues over(under) expenditures	(424,293)	84,587	8,629	(331,077)
Other financing sources(uses):				
Transfers in	0	0	123,850	123,850
Transfers out	0	0	(123,850)	(123,850)
Total other financing sources(uses)	0	0	0	0
Net change in fund balances	(424,293)	84,587	8,629	(331,077)
Fund balances beginning of year	285,406	133,739	198,878	618,023
Fund balances end of year	\$ (138,887)	218,326	207,507	286,946

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (331,077)

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 293,107	
Depreciation expense	<u>(202,300)</u>	90,807

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 100,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 338

Changes in net assets of governmental activities (page 14) \$ (139,932)

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 17,009
Inventories	5,957
Capital assets, net of accumulated depreciation	<u>9,987</u>
Total Assets	<u>32,953</u>
Liabilities	
Accounts payable	130
Salaries and benefits payable	16,557
Unearned revenues	<u>1,581</u>
Total Liabilities	<u>18,268</u>
Net Assets	
Invested in capital assets, net of related debt	9,987
Unrestricted	<u>4,698</u>
Total Net Assets	<u>\$ 14,685</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 121,327
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	81,398
Benefits	21,297
Services	2,366
Supplies	169,909
Other	100
Depreciation	1,597
TOTAL OPERATING EXPENSES	<u>276,667</u>
OPERATING LOSS	<u>(155,340)</u>
NON-OPERATING REVENUES:	
State sources	3,876
Federal sources	151,994
TOTAL NON-OPERATING REVENUES	<u>155,870</u>
Net income	530
Net assets at beginning of year	<u>14,155</u>
Net assets end of year	<u>\$ 14,685</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 122,377
Cash payments to employees for services	(94,105)
Cash payments to suppliers for goods or services	(159,855)
Net cash used in operating activities	<u>(131,583)</u>
Cash flows from non-capital financing activities:	
State grants received	3,876
Federal grants received	136,962
Net cash provided by non-capital financing activities	<u>140,838</u>
Net increase in cash and cash equivalents	9,255
Cash and cash equivalents at beginning of year	<u>7,754</u>
Cash and cash equivalents at end of year	<u>\$ 17,009</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (155,340)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,032
Depreciation	1,597
Increase in inventories	(2,642)
Decrease in accounts receivable	254
Increase in accounts payable	130
Increase in salaries and benefits payable	8,590
Increase in unearned revenue	796
Net cash used in operating activities	<u>\$ (131,583)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 17,009</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$15,032.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cardinal of Eldon Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Improvements other than buildings	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The

lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 769,747</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue Physical Plant and Equipment Levy	\$ 130,445
Special Revenue Physical Plant and Equipment Levy	Debt Service	6,595
Total		<u>\$ 137,040</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/2006	1/26/2007	\$ 413,438	8,143	412,000	7,262
2006-07A	6/28/2006	6/28/2007	1,252,257	389	1,254,000	319
Total			<u>\$ 1,665,695</u>	<u>8,532</u>	<u>1,666,000</u>	<u>7,581</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	350,000	350,000	0
2005-06B	0	180,000	180,000	0
Total	\$ 0	530,000	530,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 3,642,674	17,197	0	3,659,871
Land improvements	790,542	163,370	0	953,912
Machinery and equipment	1,092,744	112,540	5,000	1,200,284
Total capital assets being depreciated	5,525,960	293,107	5,000	5,814,067
Less accumulated depreciation for:				
Buildings	1,407,572	73,433	0	1,481,005
Land improvements	495,196	30,871	0	526,067
Machinery and equipment	876,573	97,996	5,000	969,569
Total accumulated depreciation	2,779,341	202,300	5,000	2,976,641
Total capital assets being depreciated, net	2,746,619	90,807	0	2,837,426
Governmental activities capital assets, net	\$ 2,746,619	90,807	0	2,837,426
Business-type activities:				
Machinery and equipment	\$ 65,608	0	0	65,608
Less accumulated depreciation	54,024	1,597	0	55,621
Business-type activities capital assets, net	\$ 11,584	(1,597)	0	9,987

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 28,203
Special	1,645

Support services:

Administration services	6,703
Operation and maintenance of plant services	1,028
Transportation	60,417

97,996

Unallocated depreciation

104,304

Total governmental activities depreciation expense

\$ 202,300

Business-type activities:

Food services	\$ 1,597
---------------	----------

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	680,000	0	100,000	580,000	105,000
Total	\$ 685,000	0	100,000	585,000	110,000

General Obligation

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated March 1, 1983		
		Principal	Interest	Total
1995	8.60 %	\$ 5,000	1,935	6,935

Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2006 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue May 27, 1997		
		Principal	Interest	Total
2007	4.20 %	\$ 105,000	25,995	130,995
2008	4.35	110,000	21,585	131,585
2009	4.50	115,000	16,800	131,800
2010	4.60	125,000	11,625	136,625
2011	4.70	125,000	5,875	130,875
Total		\$ 580,000	81,880	661,880

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$177,594, \$172,412, and \$159,332 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$797,647.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$196,840 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During

the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

(11) Deficit Fund Balance

The General Fund had deficit fund balance of \$138,887 at June 30, 2006.

REQUIRED SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,526,688	121,327	2,648,015	2,317,584	2,317,584	330,431
State sources	3,361,618	3,876	3,365,494	3,676,043	3,676,043	(310,549)
Federal sources	240,156	151,994	392,150	299,000	299,000	93,150
Total revenues	6,128,462	277,197	6,405,659	6,292,627	6,292,627	113,032
Expenditures:						
Instruction	4,147,996	0	4,147,996	4,424,024	4,424,024	276,028
Support services	1,752,179	0	1,752,179	1,551,175	1,700,000	(52,179)
Non-instructional programs	3,931	276,667	280,598	266,736	290,000	9,402
Other expenditures	555,433	0	555,433	733,471	733,471	178,038
Total expenditures	6,459,539	276,667	6,736,206	6,975,406	7,147,495	411,289
Excess(deficiency) of revenues over(under) expenditures	(331,077)	530	(330,547)	(682,779)	(854,868)	524,321
Balance beginning of year	618,023	14,155	632,178	1,307,889	1,307,889	(675,711)
Balance end of year	\$ 286,946	14,685	301,631	625,110	453,021	(151,390)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$172,089.

During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
Assets					
Cash and pooled investments	\$ 66,482	18,474	78,412	37,830	201,198
Receivables:					
Property tax:					
Current year delinquent	2,956	3,917	0	0	6,873
Succeeding year	95,000	123,208	0	0	218,208
Total Assets	\$ 164,438	145,599	78,412	37,830	426,279
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	564	0	0	564
Deferred revenue:					
Succeeding year property tax	95,000	123,208	0	0	218,208
	95,000	123,772	0	0	218,772
Unreserved fund balances	69,438	21,827	78,412	37,830	207,507
Total Liabilities and Fund Balances	\$ 164,438	145,599	78,412	37,830	426,279

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue						Total Nonmajor Governmental Funds
	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 99,285	131,572	0	0	230,857	0	230,857
Other	4,365	2,380	236,291	2,495	245,531	0	245,531
State sources	146	193	0	0	339	0	339
TOTAL REVENUES	103,796	134,145	236,291	2,495	476,727	0	476,727
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	10,765	0	0	0	10,765	0	10,765
Other instruction	0	0	235,900	0	235,900	0	235,900
	10,765	0	235,900	0	246,665	0	246,665
Support services:							
Administration services	65,042	0	0	0	65,042	400	65,442
Transportation services	14,512	0	0	0	14,512	0	14,512
	79,554	0	0	0	79,554	400	79,954
Non-instructional:							
Operation of non-instructional programs	0	0	0	3,931	3,931	0	3,931
Other expenditures:							
Facility acquisition	0	7,503	0	0	7,503	0	7,503
Long-term debt:							
Principle	0	0	0	0	0	100,000	100,000
Interest	0	0	0	0	0	30,045	30,045
	0	7,503	0	0	7,503	130,045	137,548
TOTAL EXPENDITURES	90,319	7,503	235,900	3,931	337,653	130,445	468,098
Excess(deficiency) of revenues over (under) expenditures	13,477	126,642	391	(1,436)	139,074	(130,445)	8,629
Other financing sources(uses):							
Transfers in	0	0	0	0	0	123,850	123,850
Transfers out	0	(123,850)	0	0	(123,850)	0	(123,850)
Total other financing sources(uses)	0	(123,850)	0	0	(123,850)	123,850	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	13,477	2,792	391	(1,436)	15,224	(6,595)	8,629
Fund balance beginning of year	55,961	19,035	78,021	39,266	192,283	6,595	198,878
Fund balance end of year	\$ 69,438	21,827	78,412	37,830	207,507	0	207,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	835	0	835
Investments	10,325	145	10,449	21
Drama	769	3,229	2,138	1,860
Music	452	1,244	1,212	484
Vocal	1,411	568	0	1,979
Season tickets	41	5,231	5,272	0
Boys basketball	2,049	5,873	5,486	2,436
Football	735	5,852	6,060	527
Baseball	0	1,441	1,441	0
Boys track	0	922	922	0
Wrestling	0	1,147	1,117	30
Girls basketball	1,725	4,580	5,301	1,004
Volleyball	256	2,608	2,713	151
Softball	0	2,893	2,893	0
Girls track	0	1,566	1,566	0
Yearbook	(435)	7,140	8,363	(1,658)
Art club	394	644	234	804
Caps and gown	10,065	7,090	17,155	0
Cheerleaders	(126)	2,004	1,141	737
Baseball club	693	21	0	714
General activity	718	1,540	(8,191)	10,449
Concessions	7,010	3,761	(344)	11,115
Football club	1,225	3,911	2,925	2,211
6th grade dues	42	0	42	0
7th grade dues	130	0	88	42
8th grade dues	44	0	(86)	130
Freshman	1,197	360	1,168	389
Sophomore	1,943	1,092	1,350	1,685
Juniors	742	11,600	8,694	3,648
Seniors	1,342	946	1,485	803
Girls baseball club	700	1,157	1,857	0
Library club	0	1,273	1,273	0
National honor society	(219)	0	(219)	0
JH trip fund	1,951	58,341	54,963	5,329
FFA	(35)	2,117	4,013	(1,931)
Softball club	816	6,452	6,901	367
HS student council	(491)	948	270	187
Volleyball club	1,415	3,849	2,873	2,391
Wrestling club	3,263	1,760	1,092	3,931
Foreign language club	1,232	587	(816)	2,635
Boys basketball club	2,457	1,943	3,337	1,063
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	297	661	926	32
Effort honor role	132	2,185	2,317	0
Elementary music	108	53	120	41
Elementary yearbook	(32)	2,507	1,895	580
Elementary concessions	6,042	25,123	22,620	8,545
Elementary library fund	445	0	0	445
Patriotism day	2,118	0	79	2,039
JH cheerleading	130	323	0	453
Wrestling cheerleading	199	84	146	137
Weight room club	371	0	0	371
A club	4,976	34,035	36,453	2,558
Music boosters	7,122	14,650	13,574	8,198
CSA	289	0	0	289
FCCLA	64	0	0	64
Dance and drill	320	0	34	286
New England trip	1,598	0	1,598	0
Total	\$ 78,021	236,291	235,900	78,412

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	2,000,954	1,958,913	1,750,121	1,766,154
Tuition		136,657	161,180	178,302	180,434
Other		389,077	426,484	420,220	574,141
State sources		3,361,618	3,154,278	2,892,651	3,131,529
Federal sources		240,156	243,582	168,971	164,305
Total	\$	6,128,462	5,944,437	5,410,265	5,816,563
Expenditures:					
Instruction:					
Regular instruction	\$	2,468,967	2,417,405	2,275,334	2,273,935
Special instruction		974,648	693,037	863,801	769,381
Other instruction		704,381	832,922	491,027	763,452
Support services:					
Student services		125,741	149,717	144,869	140,169
Instructional staff services		198,643	25,942	3,462	4,378
Administration services		726,219	687,027	658,292	601,752
Operation and maintenance of plant services		330,961	340,082	346,895	429,437
Transportation services		370,615	315,315	231,964	248,301
Non-instructional:					
Food service		0	0	0	4,150
Community service & other enterprise operations		0	14,985	0	0
Operation of non-instructional programs		3,931	150	0	0
Other expenditures:					
Facilities acquisitions		228,548	130,737	106,448	210,331
Long Term Debt:					
Principal		100,000	206,389	166,183	101,730
Interest		30,045	34,445	44,247	43,852
AEA flow-through		196,840	188,353	184,562	200,602
Total	\$	6,459,539	6,036,506	5,517,084	5,791,470

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

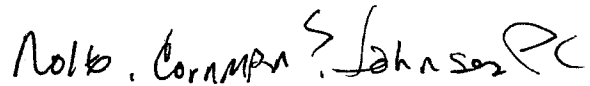
As part of obtaining reasonable assurance about whether Cardinal of Eldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and , non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Cardinal of Eldon Community School District and other parties to Cardinal of Eldon Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cardinal of Eldon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

July 31, 2006

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-06 Investments in the Student Activity Fund - We noted during our audit that there is an investment line within the Student Activity Fund. Investments should belong to a particular group/account, and should not have a separate fund balance line.

Recommendation - The District should research the investments account to find which group/account the funds belong to and make the corrective transfer in order to zero out the account.

Response - We will comply.

Conclusion - Response accepted.

- I-C-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - Interest should be allocated out to various accounts on a yearly basis.

Response - We will comply.

Conclusion - Response accepted.

- I-D-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We are checking into this issue, and will make the necessary changes to our procedures.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the support services functional area.

Recommendation-The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget in the future, if necessary.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

- II-J-06 Financial Condition - During our audit we noted that the District had a deficit fund balance in the General Fund of \$138,887 and negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.

II-K-06 Corrective Transfer - We noted during our audit that there were instructional materials purchased from the Capital Projects Fund. Chapter 423 and 298 of the Code of Iowa provides allowable expense for capital projects. The purchase of instructional materials does not appear to meet the criteria to be purchased from capital projects.

Recommendation - The District should make a corrective transfer from the General Fund to the Capital Projects Fund in the amount of \$699.28 for the instructional supplies purchased. The District should review the code for each fund for allowable expenses.

Response - We will make the corrective transfer.

Conclusion - Response accepted.